

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

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State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2003

(expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash/cash equivalents (Note 3)	\$ 469,201	\$ 226,237	\$ 695,438	\$ 166,708
Receivables (net)	234,680	29,502	264,182	47,291
Due from primary government	-	-	-	2,822
Due from other governments	131,482	-	131,482	19,271
Due from component units	1,719	621	2,340	545
Internal balances	8,893	(8,893)	-	-
Inventories	24,312	5,920	30,232	4,688
Long-term loans/notes receivable	186,820	7,666	194,486	606,567
Equity in pooled investments (Note 3)	1,260,838	-	1,260,838	13,611
Investments (Note 3)	325,568	10,608	336,176	777,103
Securities lending collateral (Note 3)	84,645	113	84,758	37,842
Deferred charges	1,446	1,221	2,667	8,486
Restricted assets:				
Cash/cash equivalents (Note 3)	-	-	-	17,869
Notes/loans receivable	-	47,752	47,752	-
Investments (Note 3)	-	3,496	3,496	5,134
Capital assets (Note 5):				
Land	300,246	800	301,046	11,212
Land improvements	11,178	1,381	12,559	22,662
Buildings/improvements	323,582	6,098	329,680	588,142
Equipment	235,783	9,881	245,664	127,330
Infrastructure	2,821,593	884	2,822,477	31,336
Other capital assets	67,378	-	67,378	123,248
Construction in progress	174,368	71	174,439	13,205
Intangible assets	27,836	1,188	29,024	5,147
Less accumulated depreciation	(1,736,637)	(10,108)	(1,746,745)	(456,644)
Total capital assets	2,225,327	10,195	2,235,522	465,638
Other assets	3,907	2,282	6,189	6,766
Total assets	4,958,838	336,720	5,295,558	2,180,341
LIABILITIES				
Accounts payable	295,188	8,466	303,654	39,539
Lottery prizes payable	-	3,039	3,039	-
Due to primary government	-	-	-	2,340
Due to other governments	2,834	-	2,834	12,584
Due to component units	2,820	2	2,822	545
Deferred revenue	73,997	4,035	78,032	17,401
Amounts held in custody for others	6,511	524	7,035	7,577
Securities lending liability (Note 3)	84,645	113	84,758	37,842
Other liabilities	897	-	897	-
Short-term debt (Note 11)	-	72,190	72,190	-
Long-term liabilities (Note 11):				
Due within one year	78,797	7,738	86,535	135,365
Due in more than one year	369,306	10,010	379,316	1,283,840
Total liabilities	914,995	106,117	1,021,112	1,537,033

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,049,489	\$ 9,084	\$ 2,058,573	\$ 254,163
Restricted for:				
Transportation	69,954	-	69,954	-
Fish, wildlife, and parks	54,452	-	54,452	-
Federal grants	35,575	-	35,575	-
Debt service	6,168	-	6,168	1,030
Unemployment compensation	-	193,632	193,632	-
Funds held as permanent investments:				
Nonexpendable	1,371,064	-	1,371,064	12,606
Housing authority	-	-	-	129,416
Reclamation	148,173	-	148,173	-
Other purposes	131,807	8,636	140,443	11,188
Unrestricted	177,161	19,251	196,412	234,905
Total net assets	\$ 4,043,843	\$ 230,603	\$ 4,274,446	\$ 643,308

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
Primary government:						
Governmental activities:						
General government	\$ 280,740	\$ 42,849	\$ 63,280	\$ -	\$ (174,611)	
Public safety/corrections	194,885	124,901	44,235	1,384	(24,365)	
Transportation	286,181	61,316	7,895	306,400	89,430	
Health/social services	1,023,893	31,074	740,210	-	(252,609)	
Education/cultural	899,575	69,228	133,624	237	(696,486)	
Resource/recreation/environment	234,848	67,830	77,627	-	(89,391)	
Economic development/assistance	169,270	17,835	103,832	-	(47,603)	
Interest on long-term debt	19,910	-	-	-	(19,910)	
Total governmental activities	3,109,302	415,033	1,170,703	308,021	(1,215,545)	
Business-type activities:						
Unemployment Insurance	92,639	66,493	10,442	-	(15,704)	
Liquor Stores	40,097	46,955	-	-	6,858	
State Lottery	27,320	34,696	-	-	7,376	
Economic Development Bonds	2,426	19	-	-	(2,407)	
Hail Insurance	2,029	2,568	-	-	539	
General Government Services	14,177	12,658	-	369	(1,150)	
Prison Funds	4,515	4,371	-	141	(3)	
MUS Group Insurance	35,906	38,473	-	-	2,567	
Total business-type activities	219,109	206,233	10,442	510	(1,924)	
Total primary government	\$ 3,328,411	\$ 621,266	\$ 1,181,145	\$ 308,531	\$ (1,217,469)	
Component units:						
Authorities:						
Housing Authority	\$ 45,360	\$ 230	\$ 285	\$ -	\$ (44,845)	
Facility Finance Authority	228	284	-	-	56	
State Compensation Insurance (New Fund)	184,604	117,936	-	-	(66,668)	
State Compensation Insurance (Old Fund)	28,221	-	-	-	(28,221)	
State University System:						
Montana State University	329,086	139,319	115,952	9,595	(64,220)	
University of Montana	261,218	125,064	76,357	1,658	(58,139)	
Total component units	\$ 848,717	\$ 382,833	\$ 192,594	\$ 11,253	\$ (262,037)	

The notes to the financial statements are an integral part of this statement.

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net assets:				
Net (expense) revenue	\$ (1,215,545)	\$ (1,924)	\$ (1,217,469)	\$ (262,037)
General revenues:				
Taxes:				
Property	170,803	-	170,803	-
Fuel	190,030	-	190,030	-
Natural resource	111,776	-	111,776	-
Individual income	540,926	-	540,926	-
Corporate income	44,934	-	44,934	-
Other	201,929	13,650	215,579	-
Settlements	35,754	-	35,754	-
Unrestricted investment earnings	206,970	16,028	222,998	115,146
Payment from State of Montana	-	-	-	135,631
Gain on sale of capital assets	311	-	311	18
Miscellaneous	24,045	5,750	29,795	10
Transfers	32,366	(32,366)	-	-
Total general revenues and transfers	1,559,844	3,062	1,562,906	250,805
Change in net assets	344,299	1,138	345,437	(11,232)
Total net assets - July 1 - as previously reported	2,696,381	233,314	2,929,695	653,723
Prior period adjustments	1,003,163	(3,849)	999,314	817
Total net assets - July 1 - as restated	3,699,544	229,465	3,929,009	654,540
Total net assets - June 30	\$ 4,043,843	\$ 230,603	\$ 4,274,446	\$ 643,308

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for all governmental financial resources, except for those required to be accounted for in another fund.

State Special Revenue Fund

This fund accounts for all activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

Federal Special Revenue Fund

This fund accounts for all activities funded from federal sources used in the operation of state government.

Coal Severance Tax Fund

This fund, created by Article IX, Section 5, of the Montana Constitution and administered by the Department of Revenue, receives 50% of all coal tax collections. The principal can be expended only upon affirmative vote by three-fourths of each house of the Legislature.

Land Grant Fund

This fund is used by the Department of Natural Resources and Conservation to account for lands granted to the State for support of public schools and state institutions.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on page 112.

BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2003
 (expressed in thousands)

	SPECIAL REVENUE			PERMANENT		NONMAJOR	TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT		
ASSETS							
Cash/cash equivalents (Note 3)	\$ 34,186	\$ 232,959	\$ 64,258	\$ 56,515	\$ 16,407	\$ 46,060	\$ 450,385
Receivables (net) (Note 4)	148,497	55,611	9,845	7,600	5,441	4,410	231,404
Interfund loans receivable (Note 12)	45,368	39,124	191	-	-	-	84,683
Due from other governments	7	1,425	130,047	-	-	-	131,479
Due from component units	283	850	259	-	-	5	1,397
Due from other funds (Note 12)	18,085	23,498	1,496	1	231	855	44,166
Inventories	2,619	20,850	21	-	-	-	23,490
Equity in pooled investments (Note 3)	-	206,731	-	432,471	450,929	170,707	1,260,838
Long-term loans/notes receivable	48	153,211	800	-	-	32,761	186,820
Advances to other funds (Note 12)	100	10,572	300	48,429	-	3,188	62,589
Investments (Note 3)	-	117,145	581	188,553	-	15,024	321,303
Securities lending collateral (Note 3)	-	20,655	-	26,083	27,196	10,711	84,645
Other assets	2,202	947	376	-	-	-	3,525
Total assets	\$ 251,395	\$ 883,578	\$ 208,174	\$ 759,652	\$ 500,204	\$ 283,721	\$ 2,886,724
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable (Note 4)	118,980	67,620	77,048	2	5,317	1,600	270,567
Interfund loans payable (Note 12)	-	20,350	60,324	-	-	366	81,040
Advances from other funds (Note 12)	-	51,617	251	-	-	10,496	62,364
Due to other governments	115	722	1,995	-	-	-	2,832
Due to component units	13,124	503	1,519	-	602	16	15,764
Due to other funds (Note 12)	11,577	5,913	3,438	6,187	10,654	3,228	40,997
Deferred revenue	52,827	26,996	11,483	-	-	-	91,306
Amounts held in custody for others	3,651	2,088	616	-	72	-	6,427
Securities lending liability (Note 3)	-	20,655	-	26,083	27,196	10,711	84,645
Other liabilities	-	51	-	-	-	-	51
Total liabilities	200,274	196,515	156,674	32,272	43,841	26,417	655,993
Fund balances:							
Reserved for:							
Encumbrances	4,439	26,187	11,719	-	-	199	42,544
Inventories	2,619	20,850	-	-	-	-	23,469
Long-term loans	48	153,211	800	-	-	32,761	186,820
Long-term advances (Note 12)	100	10,572	300	48,429	-	3,188	62,589
Special revenue	-	-	13,231	-	-	-	13,231
Debt service	-	-	-	-	-	6,168	6,168
Trust principal (Note 14)	-	-	-	678,951	456,363	187,322	1,322,636
Escheated property	850	14	-	-	-	-	864
Unreserved, designated (Note 1)	-	-	-	-	-	13,513	13,513
Unreserved, undesignated, reported in:							
General fund	43,065	-	-	-	-	-	43,065
Special revenue funds	-	476,229	25,450	-	-	-	501,679
Debt service funds	-	-	-	-	-	(2,782)	(2,782)
Capital projects funds	-	-	-	-	-	16,935	16,935
Total fund balances	51,121	687,063	51,500	727,380	456,363	257,304	2,230,731
Total liabilities and fund balances	\$ 251,395	\$ 883,578	\$ 208,174	\$ 759,652	\$ 500,204	\$ 283,721	\$ 2,886,724

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2003

(expressed in thousands)

Total fund balances for governmental funds	\$ 2,230,731
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.

Land	300,010	
Land improvements	11,083	
Buildings/improvements	320,730	
Equipment	68,015	
Infrastructure	2,821,593	
Other capital assets	67,378	
Construction in progress	173,115	
Intangible assets	27,586	
Less accumulated depreciation	<u>(1,642,591)</u>	
Total capital assets		2,146,919

Certain tax revenues are earned, but not available and therefore deferred in the funds.	18,755
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	48,122
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Deferred issue costs are reported as current expenditures in the funds. These costs are amortized over the life of the bonds and included in governmental activities in the statement of net assets.	1,446
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest	(5,013)	
Lease/installment purchase payable	(1,812)	
Bonds/notes payable (net)	(327,268)	
Compensated absences payable	(66,725)	
Early retirement benefits payable	(319)	
Arbitrage rebate tax payable	(147)	
Other liabilities	<u>(846)</u>	
Total long-term liabilities		<u>(402,130)</u>

Net assets of governmental activities	<u>\$ 4,043,843</u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003
 (expressed in thousands)

	SPECIAL REVENUE			PERMANENT		NONMAJOR	TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT		
REVENUES							
Licenses/permits	\$ 119,000	\$ 90,539	\$ -	\$ -	\$ 719	\$ 353	\$ 210,611
Taxes:							
Natural resource	43,624	50,203	-	14,719	-	3,230	111,776
Individual income	531,818	-	-	-	-	-	531,818
Corporate income	43,826	-	-	-	-	-	43,826
Property	170,795	8	-	-	-	-	170,803
Fuel	-	190,017	-	-	-	13	190,030
Other (Note 1)	163,619	36,593	-	-	-	1,716	201,928
Charges for services/fines/forfeits/settlements	49,629	59,728	34,798	-	-	13,784	157,939
Investment earnings	6,952	40,551	247	68,374	58,999	29,283	204,406
Securities lending income	312	444	-	466	490	238	1,950
Sale of documents/merchandise/property	388	5,371	9	-	4,688	2,648	13,104
Rentals/leases/royalties	86	478	-	-	27,645	115	28,324
Contributions/premiums	-	6,933	-	-	-	-	6,933
Grants/contracts/donations	2,754	21,532	260	-	5	9	24,560
Federal	27,688	1,928	1,424,549	-	-	-	1,454,165
Federal indirect cost recoveries	126	31,445	2,312	-	-	-	33,883
Other revenues	20,369	3,593	55	-	-	27	24,044
Total revenues	1,180,986	539,363	1,462,230	83,559	92,546	51,416	3,410,100
EXPENDITURES							
Current:							
General government	168,797	62,490	4,613	-	-	3,807	239,707
Public safety/corrections	115,911	39,640	32,756	-	-	995	189,302
Transportation	141	196,548	314,177	-	-	-	510,866
Health/social services	255,905	30,692	731,563	-	-	173	1,018,333
Education/cultural	661,700	71,865	158,258	-	2,759	9	894,591
Resource/recreation/environment	23,870	111,925	48,479	-	-	85	184,359
Economic development/assistance	19,688	48,895	99,331	-	-	93	168,007
Debt service:							
Principal retirement	514	1,106	137	-	-	37,245	39,002
Interest/fiscal charges	1,882	541	20	-	-	15,723	18,166
Capital outlay	929	21,495	21,136	-	-	19,513	63,073
Securities lending	264	391	-	422	444	213	1,734
Total expenditures	1,249,601	585,588	1,410,470	422	3,203	77,856	3,327,140
Excess of revenue over (under) expenditures	(68,615)	(46,225)	51,760	83,137	89,343	(26,440)	82,960
OTHER FINANCING SOURCES (USES)							
Loans issued	-	1,343	-	-	-	892	2,235
Bonds issued	-	11,155	-	-	-	20,205	31,360
Refunding bonds issued	-	1,970	-	-	-	42,415	44,385
Discount on bonds issued	-	(65)	-	-	-	-	(65)
Bond premium	-	-	-	-	-	1,720	1,720
Payment to refunding bond escrow agent	-	(915)	-	-	-	(43,493)	(44,408)
Inception of lease/installment contract	158	71	92	-	-	-	321
General capital asset sale proceeds	-	312	-	-	-	-	312
Transfers in (Note 12)	63,385	119,238	4,640	3,307	-	41,320	231,890
Transfers out (Note 12)	(34,501)	(16,449)	(29,324)	(41,578)	(54,812)	(23,941)	(200,605)
Total other financing sources (uses)	29,042	116,660	(24,592)	(38,271)	(54,812)	39,118	67,145
Excess of revenues/other sources over (under) expenditures/other uses	(39,573)	70,435	27,168	44,866	34,531	12,678	150,105
Fund balances - July 1 - as previously reported	89,243	613,970	23,146	682,392	421,625	244,505	2,074,881
Prior period adjustments (Note 2)	1,338	3,838	1,186	122	207	121	6,812
Fund balances - July 1 - as restated	90,581	617,808	24,332	682,514	421,832	244,626	2,081,693
Increase (decrease) in inventories	113	(1,180)	-	-	-	-	(1,067)
Fund balances - June 30	\$ 51,121	\$ 687,063	\$ 51,500	\$ 727,380	\$ 456,363	\$ 257,304	\$ 2,230,731

The notes to the financial statements are an integral part of this statement.

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

JUNE 30, 2003

(expressed in thousands)

Net change in fund balances - total governmental funds \$ 150,105

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 5)

Capital outlay	220,975	
Depreciation expense	(27,007)	
Excess of capital outlay over depreciation expense		193,968

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (4,305)

Inventories of governmental funds are recorded as expenditures when purchased. However, in the statement of activities, inventories are expensed when consumed. (1,067)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 10,217

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (3,246)

The incurrence of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences is as follows:

Loans issued	(2,235)	
Bonds issued	(31,360)	
Refunding bonds issued	(44,385)	
Discount on bonds issued	65	
Bond premium	(1,720)	
Payment to refunding bond escrow agent	44,408	
Capital lease financing	(321)	
Principal retirement	39,002	
Issuance costs deferral	1,561	
Bond issuance costs amortization	(564)	
Bond refunding loss amortization	(374)	
Bond discount amortization	(13)	
Bond premium amortization	130	
Total long-term debt proceeds/repayment		4,194

Some expenditures reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. The details of these differences is as follows:

Accrued interest	(2,481)	
Compensated absences	(4,403)	
Early retirement benefits	18	
Arbitrage rebate tax	1,303	
Other liabilities	(4)	
Total additional expenditures		(5,567)
Change in net assets of governmental activities		<u>\$ 344,299</u>

The notes to the financial statements are an integral part of this statement.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Unemployment Insurance

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

Economic Development Bonds

The Economic Development Bonds Fund accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Nonmajor Funds

Nonmajor enterprise funds are presented beginning on page 132.

Governmental Activities – Internal Service Funds

Internal service funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. These funds are presented in more detail beginning on page 154.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2003

(expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL
		ECONOMIC			ACTIVITIES --
	UNEMPLOYMENT	DEVELOPMENT	NONMAJOR	TOTAL	INTERNAL
	INSURANCE	BONDS			SERVICE
					FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents	\$ 190,480	\$ 10,763	\$ 24,994	\$ 226,237	\$ 18,816
Receivables (net) (Note 4)	5,352	7,407	16,737	29,496	3,197
Interfund loans receivable (Note 12)	-	-	105	105	534
Due from other funds (Note 12)	3	-	229	232	6,818
Due from component units	-	-	625	625	401
Inventories	-	-	5,920	5,920	822
Short-term investments	-	8,954	-	8,954	-
Securities lending collateral (Note 3)	-	-	113	113	-
Other current assets	-	-	248	248	390
Total current assets	195,835	27,124	48,971	271,930	30,978
Noncurrent assets:					
Restricted assets:					
Restricted notes/loans receivable	-	47,752	-	47,752	-
Restricted investments	-	3,496	-	3,496	-
Total restricted assets	-	51,248	-	51,248	-
Advances to other funds (Note 12)	-	-	330	330	-
Long-term investments (Note 3)	-	175	1,479	1,654	4,265
Long-term notes/loans receivable	-	7,663	3	7,666	-
Deferred charges	-	1,221	-	1,221	-
Other long-term assets	-	-	2,035	2,035	-
Capital assets (Note 5):					
Land	-	-	800	800	236
Land improvements	-	-	1,381	1,381	95
Buildings/improvements	-	-	6,098	6,098	2,852
Equipment	-	12	9,869	9,881	167,768
Infrastructure	-	-	884	884	-
Construction in progress	-	-	71	71	1,253
Intangible assets	-	-	1,188	1,188	250
Less accumulated depreciation	-	(6)	(10,102)	(10,108)	(94,046)
Total capital assets	-	6	10,189	10,195	78,408
Total noncurrent assets	-	60,313	14,036	74,349	82,673
Total assets	195,835	87,437	63,007	346,279	113,651

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2003

(expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	\$ 1,228	\$ 661	\$ 6,577	\$ 8,466	\$ 6,616
Lottery prizes payable	-	-	1,340	1,340	-
Interfund loans payable (Note 12)	-	-	250	250	4,032
Due to component units	-	-	2	2	53
Due to other funds (Note 12)	644	7	8,658	9,309	910
Deferred revenue	-	18	3,999	4,017	1,446
Short-term debt (Note 11)	-	72,190	-	72,190	-
Lease/installment purchase payable (Note 10)	-	-	-	-	796
Bonds/notes payable - net (Note 11)	-	2,077	1,110	3,187	1,703
Amounts held in custody for others	331	101	92	524	85
Securities lending liability (Note 3)	-	-	113	113	-
Estimated insurance claims (Note 8)	-	-	3,975	3,975	13,472
Compensated absences payable (Note 11)	-	12	491	503	2,368
Arbitrage rebate tax payable	-	73	-	73	-
Total current liabilities	2,203	75,139	26,607	103,949	31,481
Long-term liabilities:					
Lottery prizes payable	-	-	1,699	1,699	-
Advances from other funds (Note 12)	-	-	-	-	555
Deferred revenue	-	18	-	18	-
Lease/installment purchase payable (Note 10)	-	-	-	-	678
Bonds/notes payable - net (Note 11)	-	7,189	-	7,189	1,835
Estimated insurance claims (Note 8)	-	-	2,130	2,130	28,942
Compensated absences payable (Note 11)	-	19	575	594	2,038
Arbitrage rebate tax payable	-	97	-	97	-
Total long-term liabilities	-	7,323	4,404	11,727	34,048
Total liabilities	2,203	82,462	31,011	115,676	65,529
NET ASSETS					
Invested in capital assets, net of related debt	-	6	9,078	9,084	73,394
Restricted for:					
Unemployment Compensation	193,632	-	-	193,632	-
Other Purposes	-	2,853	5,783	8,636	-
Unrestricted	-	2,116	17,135	19,251	(25,272)
Total net assets	\$ 193,632	\$ 4,975	\$ 31,996	\$ 230,603	\$ 48,122

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	ECONOMIC				
	UNEMPLOYMENT INSURANCE	DEVELOPMENT BONDS	NONMAJOR	TOTAL	
Operating revenues:					
Charges for services	\$ -	\$ 19	\$ 91,310	\$ 91,329	\$ 88,587
Investment earnings	12,634	339	448	13,421	591
Securities lending income	-	-	11	11	26
Financing income	-	2,596	-	2,596	-
Contributions/premiums	66,346	-	48,333	114,679	83,750
Grants/contracts/donations	10,442	-	-	10,442	-
Taxes	-	-	13,650	13,650	4
Other operating revenues	5,434	-	537	5,971	937
Total operating revenues	94,856	2,954	154,289	252,099	173,895
Operating expenses:					
Personal services	-	199	8,828	9,027	32,874
Contractual services	-	38	9,466	9,504	13,327
Supplies/materials	-	4	41,583	41,587	15,940
Benefits/claims	92,497	-	42,198	134,695	83,909
Depreciation	-	2	1,182	1,184	9,890
Amortization	-	-	277	277	206
Utilities/rent	-	39	610	649	7,299
Communications	-	7	1,055	1,062	8,997
Travel	-	4	152	156	350
Repair/maintenance	-	-	388	388	6,506
Lottery prize payments	-	-	17,564	17,564	-
Interest expense	-	2,015	81	2,096	261
Securities lending expense	-	-	9	9	23
Arbitrage rebate tax	-	82	-	82	-
Other operating expenses	-	36	1,074	1,110	1,683
Total operating expenses	92,497	2,426	124,467	219,390	181,265
Operating income (loss)	2,359	528	29,822	32,709	(7,370)
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	-	-	(34)	(34)	(554)
Federal indirect cost recoveries	-	-	-	-	3,598
Increase (decrease) value of livestock	-	-	318	318	-
Total nonoperating revenues (expenses)	-	-	284	284	3,044
Income (loss) before contributions and transfers	2,359	528	30,106	32,993	(4,326)
Capital contributions	-	-	510	510	-
Transfers in (Note 12)	-	-	65	65	2,079
Transfers out (Note 12)	(4,315)	(297)	(27,818)	(32,430)	(999)
Change in net assets	(1,956)	231	2,863	1,138	(3,246)
Total net assets - July 1 - as previously reported	195,572	4,744	32,998	233,314	48,458
Prior period adjustments (Note 2)	16	-	(3,865)	(3,849)	2,910
Total net assets - July 1 - as restated	195,588	4,744	29,133	229,465	51,368
Total net assets - June 30	\$ 193,632	\$ 4,975	\$ 31,996	\$ 230,603	\$ 48,122

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from sales and services	\$ 64,080	\$ 19	\$ 138,899	\$ 202,998	\$ 171,841
Payments to suppliers for goods and services	-	(126)	(52,722)	(52,848)	(54,312)
Payments to employees	-	(193)	(8,489)	(8,682)	(31,234)
Grant receipts	10,442	-	-	10,442	3,597
Cash payments for claims	(92,187)	-	(39,677)	(131,864)	(80,854)
Cash payments for prizes	-	-	(17,233)	(17,233)	-
Other operating revenues	5,434	-	298	5,732	854
Net cash provided by (used for) operating activities	(12,231)	(300)	21,076	8,545	9,892
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payment of principal and interest on bonds and notes	(3,684)	(5,128)	-	(8,812)	(2,346)
Proceeds from issuance of bonds and notes	-	15,477	-	15,477	806
Collection of taxes	-	-	13,650	13,650	-
Payment of bond issuance costs	-	(335)	-	(335)	-
Transfers to other funds	-	(297)	(29,275)	(29,572)	(859)
Transfers from other funds	-	-	64	64	1,923
Proceeds from interfund loans/advances	-	-	321	321	4,347
Payments of interfund loans/advances	-	-	(380)	(380)	(6,799)
Net cash provided by (used for) noncapital financing activities	(3,684)	9,717	(15,620)	(9,587)	(2,928)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(1,105)	(1,105)	(11,828)
Proceeds from sale of capital assets	-	-	1	1	1,199
Principal and interest payments on bonds and notes	-	-	(1,146)	(1,146)	(1,443)
Net cash used for capital and related financing activities	-	-	(2,250)	(2,250)	(12,072)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(11,979)	-	(11,979)	(2)
Proceeds from sales or maturities of investments	-	4,914	298	5,212	4,400
Proceeds from securities lending transactions	-	-	13	13	26
Interest and dividends on investments	12,634	366	363	13,363	646
Payment of securities lending costs	-	-	(11)	(11)	(23)
Collections of principal and interest on loans	-	25,006	-	25,006	-
Cash payment for loans	-	(24,688)	-	(24,688)	-
Arbitrage rebate tax	-	(83)	-	(83)	-
Net cash provided by (used for) investing activities	12,634	(6,464)	663	6,833	5,047
Net increase (decrease) in cash and cash equivalents	(3,281)	2,953	3,869	3,541	(61)
Cash and cash equivalents, July 1	193,761	7,810	21,125	222,696	18,877
Cash and cash equivalents, June 30	\$ 190,480	\$ 10,763	\$ 24,994	\$ 226,237	\$ 18,816

The notes to the financial statements are an integral part of this statement.

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 2,359	\$ 528	\$ 29,822	\$ 32,709	\$ (7,370)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	-	2	1,182	1,184	9,890
Amortization	-	-	277	277	206
Taxes	-	-	(13,650)	(13,650)	-
Interest expense	-	2,015	81	2,096	261
Securities lending expense	-	-	9	9	23
Investment Earnings	(12,634)	(339)	(448)	(13,421)	(591)
Securities lending income	-	-	(11)	(11)	(26)
Financing income	-	(2,596)	-	(2,596)	-
Federal indirect cost recoveries	-	-	-	-	3,598
Arbitrage rebate tax	-	82	-	82	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	(2,962)	-	(3,308)	(6,270)	(513)
Decr (incr) in due from other funds	16	-	47	63	(498)
Decr (incr) in due from component units	-	-	356	356	(50)
Decr (incr) in inventories	-	-	1,193	1,193	64
Decr (incr) in other assets	-	-	355	355	10
Incr (decr) in accounts payable	1,131	9	2,328	3,468	903
Incr (decr) in lottery prizes payable	-	-	(4)	(4)	-
Incr (decr) in due to other funds	(141)	2	(2)	(141)	(314)
Incr (decr) in due to component units	-	-	-	-	14
Incr (decr) in deferred revenue	-	-	1,792	1,792	530
Incr (decr) in amounts held in custody for others	-	-	(35)	(35)	69
Incr (decr) in compensated absences payable	-	(3)	111	108	284
Incr (decr) in estimated claims	-	-	981	981	3,402
Net cash provided by (used for) operating activities	\$ (12,231)	\$ (300)	\$ 21,076	\$ 8,545	\$ 9,892
Schedule of noncash transactions:					
Capital asset acquisitions from capital leases	\$ -	\$ -	\$ -	\$ -	\$ 2
Incr (decr) in fair value of investments	-	1	-	1	2
Total noncash transactions	\$ -	\$ 1	\$ -	\$ 1	\$ 4

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FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trust Funds

These funds provide retirement, disability, death, and lump-sum payments to retirement system members.

Private-Purpose Trust Funds

These funds are used to account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments.

Investment Trust

This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds

Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments.

Individual funds are presented, by fund type, beginning on page 178.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 JUNE 30, 2003
 (expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 164,303	\$ 1,520	\$ 664,571	\$ 106,752
Receivables (net):				
Accounts receivable	21,403	-	-	-
Interest	22,460	-	252	47,893
Due from primary government	12,997	-	-	-
Due from other PERB plans	5,741	-	-	-
Long-term loans/notes receivable	451	-	-	-
Total receivables	63,052	-	252	47,893
Investments at fair value:				
Equity in pooled investments (Note 3)	4,932,205	-	-	-
Other investments (Note 3)	435,742	-	-	-
Total investments	5,367,947	-	-	-
Securities lending collateral (Note 3)	179,702	-	-	-
Capital Assets:				
Land	35	-	-	-
Buildings/improvements	158	-	-	-
Equipment	152	-	-	-
Accumulated depreciation	(249)	-	-	-
Intangible assets	3,321	-	-	-
Total capital assets	3,417	-	-	-
Other assets	3	3,404	-	15,084
Total assets	5,778,424	4,924	664,823	169,729
LIABILITIES				
Accounts payable	3,369	5	252	28,061
Due to primary government	87	-	-	-
Due to other PERB plans	5,741	-	-	-
Deferred revenue	254	-	-	-
Bonds/notes payable (net)	1,628	-	-	-
Amounts held in custody for others	-	-	-	141,668
Securities lending liability (Note 3)	179,702	-	-	-
Compensated absences payable	412	-	-	-
Total liabilities	191,193	5	252	169,729
NET ASSETS				
Held in trust for pension benefits and other purposes	\$ 5,587,231	\$ 4,919	\$ 664,571	\$ -

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST
ADDITIONS			
Contributions/premiums:			
Employer	\$ 146,758	\$ -	\$ -
Employee	147,478	-	-
Other contributions	1,399	-	1,089,590
Net investment earnings:			
Investment earnings	344,985	11	9,645
Administrative investment expense	(7,101)	-	-
Securities lending income	3,250	-	-
Securities lending expense	(2,632)	-	-
Charges for services	260	-	-
Other additions	32	2,934	-
Total additions	634,429	2,945	1,099,235
DEDUCTIONS			
Benefits	306,965	-	-
Refunds	18,308	-	-
Distributions	-	2,172	1,195,880
Administrative expenses:			
Personal services	2,339	-	-
Contractual services	2,249	41	-
Supplies/materials	84	-	-
Depreciation	13	-	-
Amortization	516	-	-
Utilities/rent	214	-	-
Communications	201	-	-
Travel	68	-	-
Repair/maintenance	38	-	-
Grants	-	4	-
Interest expense	49	-	-
Other operating expenses	209	-	-
Local assistance	12	-	-
Transfers to ORP	5,957	-	-
Transfers to PERS-DCRP	15,990	-	-
Total deductions	353,212	2,217	1,195,880
Change in net assets	281,217	728	(96,645)
Net assets - July 1 - as previously reported	5,306,015	5,567	761,216
Prior period adjustments (Note 2)	(1)	(1,376)	-
Net assets - July 1 - as restated	5,306,014	4,191	761,216
Net assets - June 30	\$ 5,587,231	\$ 4,919	\$ 664,571

The notes to the financial statements are an integral part of this statement.

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COMPONENT UNIT FINANCIAL STATEMENTS

Housing Authority

This authority facilitates the availability of decent, safe, and sanitary housing to persons and families of lower income. The board issues negotiable notes and bonds to fulfill its purposes.

Facility Finance Authority

This authority assists all eligible, non-profit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible.

State Compensation Insurance Fund (New and Old)

This fund provides workers compensation insurance. The fund consists of two separate entities: the New Fund and the Old Fund. The New Fund covers claims incurred after June 30, 1990, and is financed by member (employer) premiums. The Old Fund covers claims incurred before July 1, 1990. In 1999, the 56th Legislature determined that the Old Fund was adequately funded and discontinued the Old Fund Liability Tax.

Montana State University and University of Montana

These universities are funded through state appropriations, tuition, federal grants, and private donations and grants. In addition to instruction, these universities provide research and other services.

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS

JUNE 30, 2003

(expressed in thousands)

	AUTHORITIES			
	HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)
ASSETS				
Cash/cash equivalents (Note 3)	\$ 7,756	\$ 1,706	\$ 32,141	\$ 4,743
Receivables (net)	15,325	199	10,875	1,282
Due from primary government	3	-	2	-
Due from other governments	-	-	-	-
Due from component units	-	-	185	-
Inventories	-	-	-	-
Long-term loans/notes receivable	582,059	452	73	-
Equity in pooled investments (Note 3)	-	-	-	-
Investments (Note 3)	147,750	-	542,323	81,902
Securities lending collateral (Note 3)	-	-	30,969	6,099
Deferred charges	6,304	-	-	-
Restricted assets:				
Cash/cash equivalents (Note 3)	-	-	-	-
Investments (Note 3)	-	-	-	-
Capital assets (Note 5):				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings/improvements	-	-	-	-
Equipment	88	2	2,970	-
Infrastructure	-	-	-	-
Other capital assets	-	-	-	-
Construction in progress	-	-	-	-
Intangible assets	75	-	2,110	-
Less accumulated depreciation	(49)	(2)	(1,846)	-
Total capital assets	114	-	3,234	-
Other assets	175	2	2,348	-
Total assets	759,486	2,359	622,150	94,026
LIABILITIES				
Accounts payable	3,898	7	6,960	582
Due to primary government	28	2	1,139	2
Due to other governments	-	-	-	-
Due to component units	3	-	-	185
Deferred revenue	-	-	203	-
Amounts held in custody for others	710	-	4,498	-
Securities lending liability (Note 3)	-	-	30,969	6,099
Long-term liabilities (Note 11):				
Due within one year	9,690	2	88,487	10,241
Due in more than one year	615,627	10	326,801	70,722
Total liabilities	629,956	21	459,057	87,831
NET ASSETS				
Invested in capital assets, net of related debt	114	-	2,764	-
Restricted for:				
Debt service	-	-	-	-
Funds held as permanent investments:				
Nonexpendable	-	-	-	-
Housing authority	129,416	-	-	-
Other purposes	-	-	-	816
Unrestricted	-	2,338	160,329	5,379
Total net assets	\$ 129,530	\$ 2,338	\$ 163,093	\$ 6,195

The notes to the financial statements are an integral part of this statement.

STATE UNIVERSITY SYSTEM			
	MONTANA STATE UNIVERSITY	UNIVERSITY OF MONTANA	TOTAL
\$	81,896	\$ 38,466	\$ 166,708
	11,431	8,179	47,291
	1,160	1,657	2,822
	13,304	5,967	19,271
	22	338	545
	3,009	1,679	4,688
	16,224	7,759	606,567
	-	13,611	13,611
	2,142	2,986	777,103
	-	774	37,842
	-	2,182	8,486
	941	16,928	17,869
	5,134	-	5,134
	4,276	6,936	11,212
	13,416	9,246	22,662
	283,641	304,501	588,142
	80,493	43,777	127,330
	31,336	-	31,336
	63,340	59,908	123,248
	5,886	7,319	13,205
	2,119	843	5,147
	(247,738)	(207,009)	(456,644)
	236,769	225,521	465,638
	2,597	1,644	6,766
	374,629	327,691	2,180,341
	15,923	12,169	39,539
	988	181	2,340
	5,985	6,599	12,584
	338	19	545
	8,971	8,227	17,401
	876	1,493	7,577
	-	774	37,842
	15,810	11,135	135,365
	120,808	149,872	1,283,840
	169,699	190,469	1,537,033
	143,301	107,984	254,163
	322	708	1,030
	9,341	3,265	12,606
	-	-	129,416
	4,963	5,409	11,188
	47,003	19,856	234,905
\$	204,930	\$ 137,222	\$ 643,308

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Authorities:				
Housing Authority	\$ 45,360	\$ 230	\$ 285	\$ -
Facility Finance Authority	228	284	-	-
State Compensation Insurance (New Fund)	184,604	117,936	-	-
State Compensation Insurance (Old Fund)	28,221	-	-	-
State University System:				
Montana State University	329,086	139,319	115,952	9,595
University of Montana	261,218	125,064	76,357	1,658
Total component units	\$ 848,717	\$ 382,833	\$ 192,594	\$ 11,253

General revenues:

Unrestricted investment earnings

Payment from State of Montana

Gain on sale of capital assets

Miscellaneous

Total general revenues

Change in net assets

Total net assets - July 1 - as previously reported

Prior period adjustments

Total net assets - July 1 - as restated

Total net assets - June 30

The notes to the financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS						
HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	MONTANA STATE UNIVERSITY	UNIVERSITY OF MONTANA	TOTAL
\$ (44,845)	\$ 56	\$ (66,668)	\$ (28,221)	\$ (64,220)	\$ (58,139)	\$ (44,845) 56 (66,668) (28,221) (64,220) (58,139) (262,037)
(44,845)	56	(66,668)	(28,221)	(64,220)	(58,139)	(262,037)
52,808	48	49,044	9,630	1,133	2,483	115,146
-	-	-	-	79,146	56,485	135,631
-	-	2	-	-	16	18
10	-	-	-	-	-	10
52,818	48	49,046	9,630	80,279	58,984	250,805
7,973	104	(17,622)	(18,591)	16,059	845	(11,232)
121,557	2,234	180,715	24,865	187,157	137,195	653,723
-	-	-	(79)	1,714	(818)	817
121,557	2,234	180,715	24,786	188,871	136,377	654,540
\$ 129,530	\$ 2,338	\$ 163,093	\$ 6,195	\$ 204,930	\$ 137,222	\$ 643,308